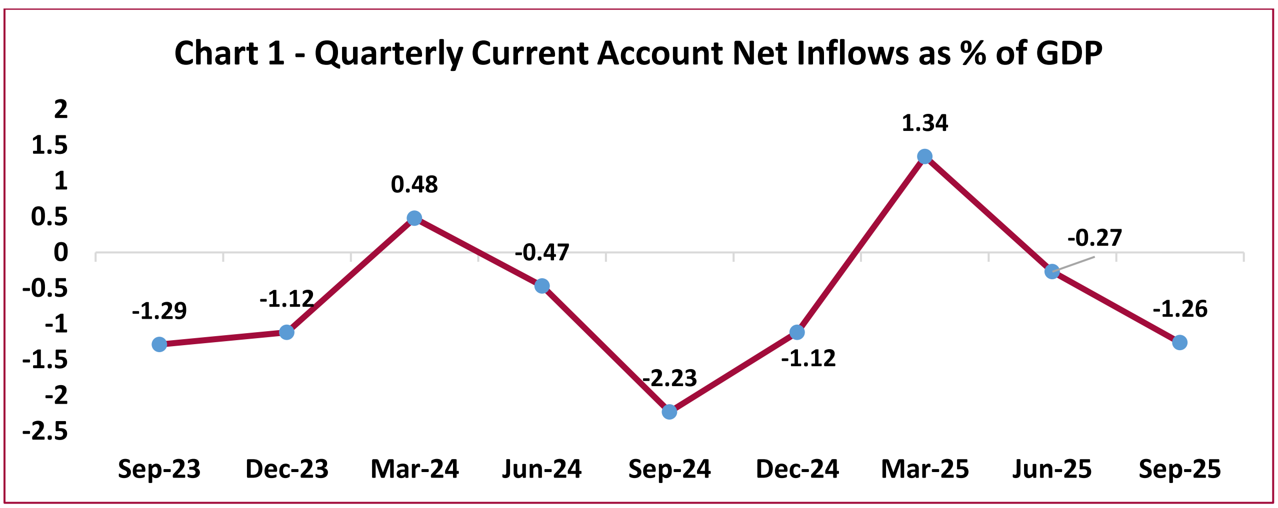
*Economic Intelligence Cell*

*- Akansha Chauhan, Economist*

# Macro Insights

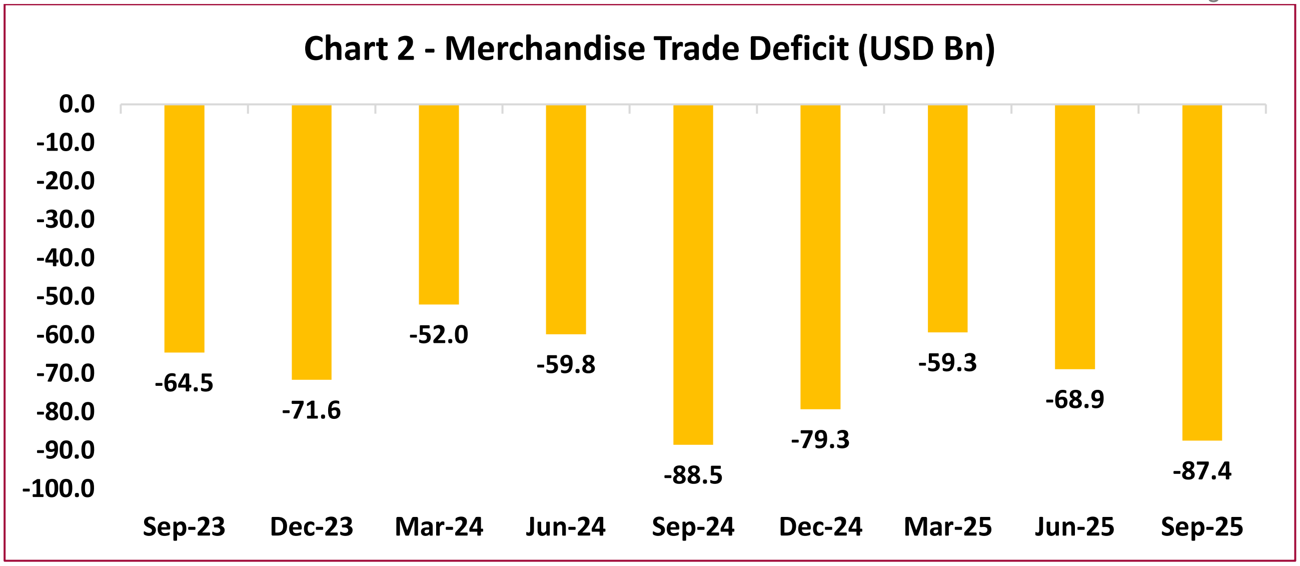
## Key Takeaways: India's Balance of Payments (BoP) Q2'FY26

- India's current account deficit moderated to US$ 12.3 billion (1.3 per cent of GDP) in Q2FY2026 from US$ 20.8 billion (2.2 per cent of GDP) in Q2FY25.
- The current account deficit represents the gap between the value of a country's exports and imports of goods and services. It serves as a crucial indicator of the country's external sector.
- Merchandise trade deficit at US$ 87.4 billion in Q2FY26 was lower than US$ 88.5 billion in Q2FY25.



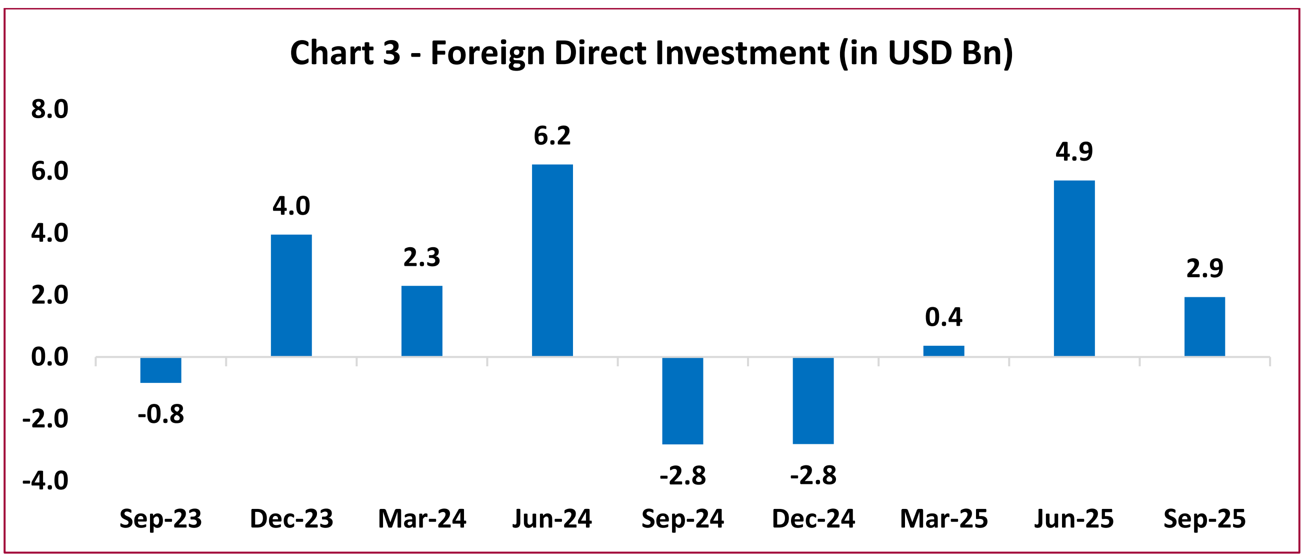

*Source: CMIE*

- Net services receipts increased to US$ 50.9 billion in Q2FY26 from US$ 44.5 billion a year ago. Services exports have risen on a year-on-year basis in major categories such as computer services and other business services.
- Net outgo on the primary income account, mainly reflecting payments of investment income, increased to US$ 12.2 billion in Q2FY26 from US$ 9.2 billion in Q2FY25.
- Personal transfer receipts under secondary income account, mainly representing remittances by Indians employed overseas, rose to US$ 38.2 billion in Q2FY26 from US$ 34.4 billion in Q2FY25.




*Source: CMIE*

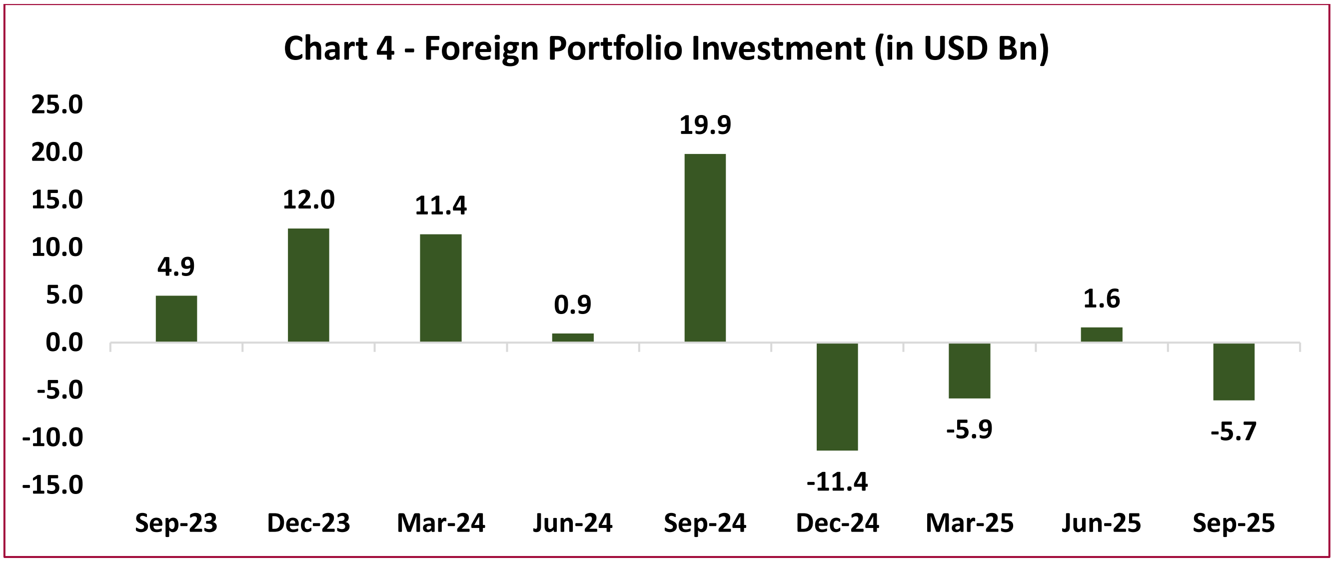
- In the financial account, foreign direct investment (FDI) recorded a net inflow of US$ 2.9 billion in Q2FY26as against a net outflow of US$ 2.8 billion in the corresponding period of 2024-25 (Refer Chart 3).




*Source: CMIE*

- Foreign portfolio investment (FPI) recorded a net outflow of US$ 5.7 billion in Q2FY26 as against a net inflow of US$ 19.9 billion in Q2FY25.
- Net inflows under external commercial borrowings (ECBs) to India amounted to US$ 1.6 billion in Q2FY26 as compared with net inflows of US$ 5.0 billion in the corresponding period a year ago.
- Non-resident deposits (NRI deposits) recorded a net inflow of US$ 2.5 billion in Q2FY26 as compared with US$ 6.2 billion a year ago.
- There was a depletion of US$ 10.9 billion to the foreign exchange reserves (on a BoP basis) in

Q2FY26 as against an accretion of US$ 18.6 billion in Q2FY25.




Source: CMIE

❖ **Views:**

1. India's external sector continues to show resilience, with services exports and remittances providing stability. These factors are expected to keep the CAD manageable, even as merchandise trade deficits remain elevated due to firm non-oil, non-gold imports.
2. In Q2 FY26, FPI recorded a net outflow of $5.7 billion, reversing the positive trend from Q1. This shift was attributed to global headwinds, higher US tariffs on Indian exports, and a surge in gold imports.
3. India's external sector is resilient, with services exports and remittances providing stability. CAD is expected to remain manageable, supported by robust invisibles and strong reserve cover.
4. Going forward, many rating agencies forecast that the CAD will remain in the range of 1.3–1.4% of GDP for FY26, but warn that external shocks could cause volatility

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***For any feedback or valuable suggestions:*** *Reach us at* ***eicsmead@pnb.co.in***